

BEFORE  
THE PUBLIC SERVICE COMMISSION OF  
SOUTH CAROLINA

DOCKET NO. 97-374-C - ORDER NO. 98-881

NOVEMBER 6, 1998

IN RE: Proceeding to Review BellSouth's Cost Studies for Unbundled Network Elements.	) ) )	ORDER DENYING PETITION FOR RECONSIDERATION
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This matter comes before the Public Service Commission of South Carolina (the Commission) on the Petition for Reconsideration of our last Order in this Docket filed by e.spire Communications, Inc. (e.spire). Because of the reasoning stated below, the Petition must be denied.

First, e.spire alleges that the non-recurring charges for unbundled loop provisioning established by our last Order in this Docket were not cost-based, and constitute a barrier to entry, pursuant to Section 252(d)(1) of the Telecommunications Act of 1996 (the Act ). Such is not the case. As we explained in Order No. 98-214, BellSouth's cost study developed "economic costs," which reflects Total Element Long Run Incremental Cost (TELRIC), plus consideration of common costs. We changed BellSouth's original proposal to exclude "additional profit," and to modify fill factors, fall-out factors, and the depreciation rate. Also, in Order No. 98-214, we held that BellSouth's TELRIC cost studies properly reflect nonrecurring costs, and, in fact, eliminate duplicate recovery of costs in recurring and nonrecurring rates. We found that elimination of all nonrecurring charges, such as would have occurred with the adoption of

the rejected Nonrecurring Cost Model, was improper, especially based on the characterization of nonrecurring charges as a barrier to entry. We reiterate our reasoning that all business ventures carry with them the necessity for assuming some degree of risk and investment, and that nothing in the Act requires BellSouth to subsidize its competitor's entry into the market. The costs of ordering and installing lines are proper nonrecurring costs that must be borne by the party that orders those lines. We believe that other nonrecurring costs should also be borne by the cost causer, be they BellSouth or a competitive local exchange carrier (CLEC).

Accordingly, we reiterate our statements in Order No. 98-214 that the non-recurring charges for unbundled loop provisioning were cost-based and, further, do not constitute a barrier to entry, notwithstanding any of the examples given by e.spire.

Second, e.spire alleges that this Commission should reconsider its TELRIC rates to reflect forward-looking costs. We found, in Order No. 98-214, that the rates adopted, and the modified cost studies upon which they were based, recognized the actual costs that BellSouth was expected to incur in providing service on a going-forward basis. Order No. 98-214 at 22. We are not convinced by e.spire that any reconsideration is necessary, since e.spire has not demonstrated that the factors suggested for use by Dr. Marvin Kahn in modifying the TELRIC rates are valid.

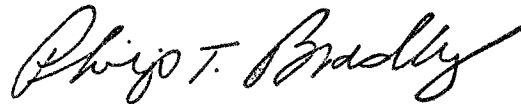
Third, we disagree with e.spire that geographic economic deaveraging of loop prices is essential to deriving cost-based rates. We see no reason to deviate from our statewide average rates that we adopted previously. We believe that geographic

economic deaveraging of loop prices may even discriminate between similarly situated customers in different areas of the State. Therefore, we reject e.spire's contention.

Accordingly, the Petition for Reconsideration is denied.

This Order shall remain in full force and effect until further Order of the Commission.

BY ORDER OF THE COMMISSION:



Chairman

ATTEST:

  
Executive Director

(SEAL)